NORTHWEST TERRITORIES POWER CORPORATION GREENHOUSE GAS REPORT

~2002/2003~

NORTHWEST TERRITORIES
POWER
CORPORATION

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Message from our President and Chief Executive Officer

We are pleased to submit our Northwest Territories Power Corporation (NPTC) report to the Voluntary Challenge and Registry (VCR) Inc. In 1999, NTPC first submitted to the VCR and was awarded Gold Champion Level Reporting Status, a status which we have maintained annually since then. By achieving Best New Submission in 1999 and the Leadership Award for the Electricity Sector in 2000/01, NTPC has set a high standard for itself to maintain. NTPC's submission of this 2002/03 Progress Report illustrates our continued commitment to regular reporting and initiatives to reduce greenhouse gas (GHG) emissions.

In 2002/03, NTPC produced 79,982 Tonnes of $C0_2$ equivalent GHG emissions, a successful decrease of 43% from 1990/91 (Baseline). NTPC also increased total generation by 5,141 MWh over 2001/02 to 399,749 MWh. In a year with lower than average water levels for hydro generation, diesel generation was increased to compensate. As such, special attention was paid to initiatives such as residual heating projects, station service reduction, a micro turbine pilot project, and the installation of more efficient streetlights to minimize GHG emissions. In 2002/03 NTPC also purchased the Bluefish Hydro facility from Miramar (owner of Con Mine). Power produced by the Bluefish Hydro facility no longer required by Con Mine will soon be available to help meet Yellowknife power demands, displace diesel power, and greatly reduce GHG emissions.

Although NTPC has been successful in decreasing its greenhouse gas emissions to well below the 1990 Baseline levels and NTPC's internal target of 10 per cent below 1996/97 levels, we will strive to further reduce emissions where feasible. Through programs to increase Corporate-wide fuel efficiency, reduce our own station service demands, promote public awareness of energy efficiency, and carryout research into alternative sources of power generation, NTPC will continue to reduce its production of greenhouse gases.

Through regular reporting to the VCR, we will monitor our initiatives, progress, and success in reducing greenhouse gas emissions in the north.

Yours truly,

Leon Courneya

Leon Courneya
President and Chief Executive Officer

INTRODUCTION

The Voluntary Challenge and Registry (VCR) Program provides a nationally recognized and reviewed avenue for businesses to report Greenhouse Gas (GHG) emissions. Through the VCR, the Northwest Territories Power Corporation (NTPC) demonstrates its ongoing commitment to voluntarily reduce GHG emissions. Since our first annual VCR submission in 1999, we have achieved Gold Champion Level Reporting Status yearly, as well as Best New Submission in 1999 and the Leadership Award for the Electric Utilities Sector in 2000/2001. NTPC is proud to present our 2002/03 VCR report. In our latest report, we not only quantify our air emissions, but also outline the many initiates taken to further reduce GHG emissions and help preserve one of the world's most unique and beautiful environments.

Corporate Profile

The Northwest Territories Power Corporation is a Crown corporation wholly owned by the Government of the Northwest Territories. NTPC was created in 1988 when the Territorial Government purchased shares of the federally owned Northern Canada Power Commission. Today we are the primary power producer in the Northwest Territories (NWT). We distribute electricity to the end-use consumer in 27 communities and supply electricity on a wholesale basis to two distributing utilities. These utilities in turn retail electricity to customers in the Yellowknife and Hay River areas. As a Crown corporation, we have a mandate to operate as a viable business enterprise.

NTPC operates 31 power plants, including the standby diesel generation facilities within the Snare and Taltson hydro systems and the Inuvik and Norman Wells natural gas systems. Figure 1 shows the NWT and the locations of communities served by NTPC. NTPC's facilities include hydroelectric, diesel, and natural gas generation plants, as well as transmission systems and numerous isolated electrical distribution systems. NTPC also owns and operates alternative energy assets used for the supply of residual heat. Up until purchasing the Bluefish hydro facility on March 31, 2003, NTPC purchased GHG-free hydroelectric power from the facility. We also purchase natural gas generated power in Norman Wells.

Figure 1: NTPC Service Area

NTPC serves a population of approximately 42,000 people located in an area of 1.2 million square kilometers. Approximately 67% of the population lives in the North and South Slave regions, while the rest of the population resides in small communities widely dispersed throughout the NWT. The total electrical load for the NWT is approximately 65 MW, with isolated power systems having generating capacities ranging from 190 kW at Colville Lake to 59.6 MW at Snare/Yellowknife. As these systems are isolated and unconnected, each must be planned for and operated independently.

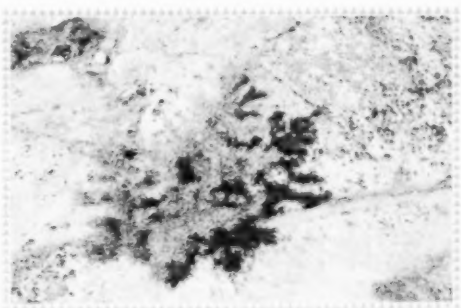
Commitment to Reducing Greenhouse Gas Emissions

NTPC operates within a Corporate Strategic Plan, developed in 1997 and reviewed regularly by Senior Management and the Board of Directors. The following initiatives are outlined in the Strategic Plan to maintain or further decrease our production of greenhouse gas (GHG) emissions:

- We will reduce GHG emissions on a per kilowatt-hour basis by 10% from 1996/97 levels in 10 years.
- We will endeavour to increase our supply-side energy efficiencies by increasing our use of technologies such as the Internet, Turtle meters, more fuel-efficient engines, Programmable Logic Controllers (PLCs), and more efficient streetlights to reduce our costs, improve plant efficiencies, and reduce GHG emissions.
- We will strive to increase our own energy efficiencies through efforts to decrease station service at our plants and offices and increase the use of residual heat within our own facilities.
- We will develop residual heat projects in as many communities as is economically feasible. While this does not directly reduce our own GHG emissions, it reduces the amount of diesel fuel required for heating within a community as well as for transportation of that fuel to the community.
- We will assist in the development of natural gas infrastructure independently and in joint ventures to ensure a supply of gas for power generation and to decrease the production of GHG emissions.
- We will pursue additional hydro opportunities for the NWT and strive to provide additional hydro for mines.
- We will monitor the development of alternate power generation technologies such as wind, solar power generation, and fuel cells.
- We will encourage conservation of energy through customer education programs: through demand-side energy conservation, we reduce the amount of energy required by customers. This results in less diesel fuel burned to meet community electricity demands, particularly in the more remote communities. Less fuel required in a community translates into reductions of GHG emissions produced in transporting fuel to the community, an indirect saving.

Although we already achieved our target to reduce GHG emissions by 10% of 1996/97, we will continue to further decrease our production of GHG emissions where feasible.

NTPC began development of an ISO 14001 compliant Environmental Management System (EMS) in 2002/03. The EMS includes a review of current climate change practices implemented by NTPC, which will help develop and monitor new targets.



Management System

Our GHG emissions are monitored at the most senior levels of NTPC by the Board of Directors and the President and CEO. Senior Management not only review and approve NTPC's Strategic Plan, but review and approve any GHG initiatives through the annual capital and financial planning process. The Minister in charge of NTPC is also kept advised of major issues regarding NTPC, including our GHG programs.

Through our annual VCR submission, we analyse and monitor NTPC's success in reducing GHG emissions. Corporate data from the Environmental, Financial, and Engineering departments is compiled, analysed and reviewed at a management level to generate the VCR report. The President and CEO reviews the report prior to submission to the VCR. Once submitted, NTPC's GHG emissions status is reported to both the Board of Directors and the Minister.

External Verification

The Auditor General of Canada annually carries out external verification of Corporation data, including fuel consumption and generation statistics.

Through the Public Utilities Board (PUB) process for setting power rates, all aspects of our operations, including our GHG initiatives and their associated costs and benefits, are reviewed publicly and by the PUB.

In 2003, Environment Canada's National Pollutant Release Inventory (NPRI) introduced Criteria Air Contaminants (CACs) into their list of toxic substances to be reported annually. NTPC now reports emissions annually to the NPRI as well as the VCR.

BASE YEAR QUANTIFICATION

NTPC used the 1990/91 fiscal year to create a Baseline for emissions against which to compare subsequent years.

Baseline Quantification

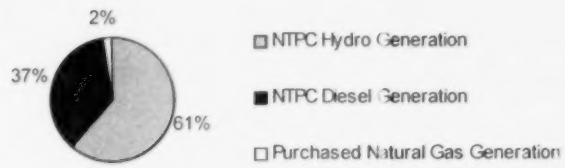
Emission factors from the 2003 VCR Guide indicate several differences from factors used in past years from the 1999 VCR Guide. The CH_4 emission factor for diesel combustion changed from 0.26 g/L to 0.13 g/L, and the three greenhouse gas emission factors for natural gas combustion also changed; CO_2 from 1880 g/m^3 to 1891 g/m^3, CH_4 from 0.048 g/m^3 to 0.049 g/m^3, and N_2O from 0.02 g/m^3 to 0.049 g/m^3. NTPC adopted the new factors (see Table 3) and applied them to historical data in order to maintain consistency in the comparison of current emissions to previous years and Baseline emissions. Emissions were updated from those reported in the 2001/02 Greenhouse Gas Report, and as a result, emissions for the Baseline year changed slightly, from 140,767 tonnes to 140,723 tonnes of CO_2 equivalent emissions. Table 1 illustrates our 1990/91 emissions according to GHG type. Emissions savings were also updated.

Table 1: Baseline Emissions Estimates by Greenhouse Gas Type

	Tonnes			
Fiscal Year	CO_2	CH_4	N_20	$C0_2$ Equivalent Total Emissions
1990/91	134,588	8	19	140,723

Hydro, diesel, and purchased natural gas generated power accounted for 61%, 37%, and 2% of total generation in 1990/91, respectively. Figure 2 illustrates 1990/91 percent generation according to source.

Figure 2: Power Generation by Source for 1990/91 (Baseline Year)



Direct and Indirect Emissions

Direct GHG emissions result from the combustion of fossil fuels to generate electricity in Corporation-owned diesel and natural gas facilities.

Indirect emissions are those created or saved by operations not directly controlled by NTPC, but affected by Corporation business decisions. These include emissions produced from purchased natural gas generated power and emissions saved as the result of residual heat projects provided to buildings not owned by NTPC.

In 1990/91, NTPC did not own any natural gas generating facilities. All natural gas generation emissions at that time were therefore indirect emissions resulting from the purchase of natural gas generated power in Norman Wells. Table 2 illustrates NTPC's emissions according to source for 1990/91.

Table 2: Baseline GHG Emissions by Source

	CO_2 Equivalent Tonnes		
Fiscal Year	Diesel Generation	Gas Generation	Total Emissions
1990/91	136,555	4,168	140,723

Emissions Calculations

Greenhouse gas emissions to date have been calculated using NTPC's actual fuel consumption data for the periods covering 1990/91 to 2002/03. Combusted fuel is converted to GHG emissions using the emissions factors provided in the *2003 VCR Guide* as follows:

Table 3: Emissions Factors by Gas Type

Source	CO_2	CH_4	N_2O
Natural Gas Industrial Boiler	1,891 g/m^3	0.49 g/m^3	0.049 g/m^3
Diesel Motor	2,730 g/L	0.13 g/L	0.40 g/L

The following equivalency factors provided in the VCR Guide were utilized to calculate GHG carbon dioxide equivalency (CO_2 e):

Table 4: Carbon Dioxide Equivalency Factors

Greenhouse Gas Type	CO_2e Factor
CO_2	1
CH_4	21
N_2O	310

Emissions produced from oil-fired furnaces in Corporation owned housing, Corporation office buildings, etc. are not reported. However, Corporation buildings heated by residual heat or electricity directly from Corporation power plants are included in emissions estimates.

Due to the low volume of Corporation owned vehicles (61 on average) and the limited distances driven annually, GHG emissions produced from vehicles are not included in this report.

Forecast Emissions

Forecast emissions are based on predicted future power generation values for 2003/04 to 2008/09, which are divided by three-year weighted averages for plant efficiencies to determine fuel consumption. This method of forecasting incorporates the previous year's improvements to fuel efficiencies, upgrades to streetlights and transmission lines, and reductions to station service.

Average hydro generation (assuming normal precipitation levels, as most water comes from runoff) is used to forecast the amount of diesel generation required for those communities where diesel generation supplements hydro generation.

2002/2003 GREENHOUSE GAS EMISSIONS

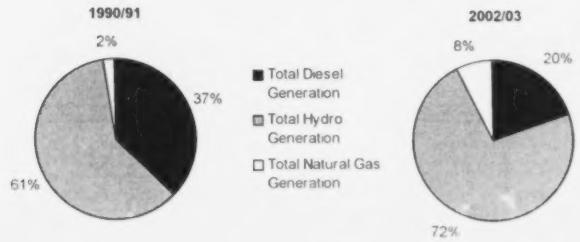
Diesel combustion for the production of power generation is our major source of GHG emissions. Since 1990, diesel generated emissions have accounted for an average 91% of our total GHG emissions. The following section illustrates our production of GHG emissions and the efforts taken in the last year to reduce our reliance on diesel generated power.

Hydropower Generation

Hydropower generation is dependent on water levels, thus it varies from year to year. In years of low hydropower generation, diesel generation is increased to meet hydropower shortfalls. The majority of NTPC's GHG emissions result from diesel generation, so when hydro generation is low, GHG emissions increase. This was the case in 2002/03, when lower than average water levels created the need for more diesel generation. In addition, power demand increased in hydro-supplied communities creating even more reliance on diesel generated power. As such, GHG levels remain significantly below 1990/91 levels but are slightly higher than 2001/02 levels.

At the current time, hydropower is the cleanest power NTPC can provide its customers in the NWT. As diesel generation is utilized as backup power generation for the hydro systems, the more hydropower we are able to produce the more diesel generated power we displace. Figure 3 shows NTPC's average power generation by source for 1990/91 and 2002/03.

Figure 3: Average Power Generation by Source for 1990/91 and 2002/03



In 2002/03, the Snare and Taltson hydro systems produced 175,750 MWh and 63,924 MWh of power, respectively. In the absence of hydropower, all this power would have been generated from diesel. As such, hydropower generation accounted for 72% of our total generation for 2002/03, and although lower than the 77% from 2001/02, it is still an 11% increase over 1990/91 levels.

Diesel Generated Power

NTPC's consumption of diesel fuel for generation purposes, our major source of GHG emissions, has decreased dramatically over the years. In 1990/91, 37% of total generation came from diesel generated power. In 2002/03, diesel generated power accounted for only 20% of NTPC's total power generation. Our decreased reliance on diesel generated power has allowed us to reduce our diesel generated CO_2 equivalent emissions from 136,555 tonnes in 1990/91 by 54% to 63,297 tonnes in 2002/03. Table 5 shows NTPC's CO_2 equivalent emissions from all sources, both direct and indirect.

Table 5: GHG Emissions Produced Relative to Generation Source

	Direct		Indirect	
	CO_2 Equivalent Emissions (Tonnes)			
Fiscal Year	Diesel Generation	Natural Gas Generation	Natural Gas Generation	Total Emissions
1990/91	136,555	0	4,168	140,723
1991/92	130,099	0	4,216	134,316
1992/93	132,223	0	4,245	136,468
1993/94	135,936	0	4,473	140,409
1994/95	177,699	0	4,446	182,146
1995/96	178,125	0	3,962	182,086
1996/97	123,637	0	3,755	127,391
1997/98	104,813	0	4,189	109,002
1998/99	93,505	0	4,213	97,718
1999/00	54,291	6,610	3,944	64,845
2000/01	49,284	11,293	3,891	64,468
2001/02	47,734	12,880	3,888	64,502
2002/03	63,297	12,716	3,969	79,982

Natural Gas Generated Power

NTPC continues to replace diesel generated power with less GHG intensive natural gas generated power. In 1990/91, NTPC's only source of natural gas generated power was purchased power in Norman Wells. In 2002/03, NTPC produced 8% of its total generation from natural gas generated power; 6% NTPC-generated power and 2% purchased power. This means that NTPC successfully generated approximately 6% more natural gas generated power in 2002/03 than in 1990/91.

Actual Emissions for 2002/03

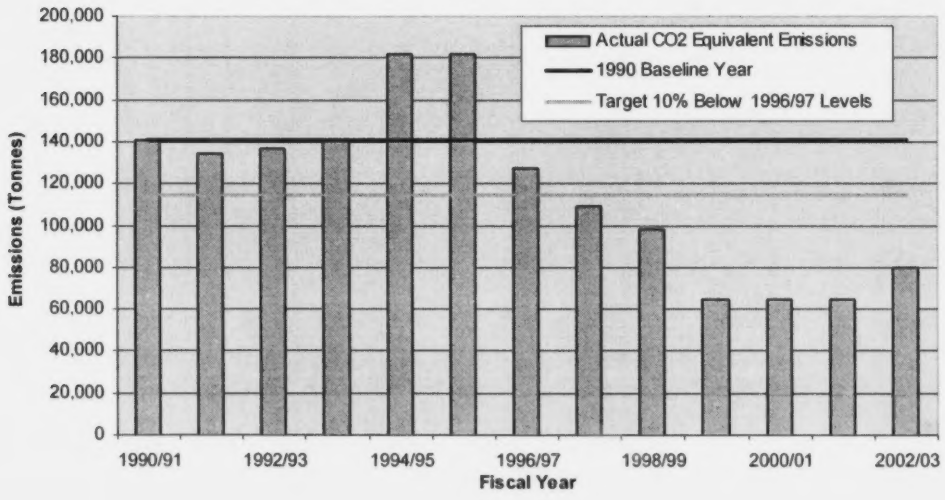
Once again, NTPC was able to produce more electricity while producing fewer emissions per MWh than in 1990/91. This was accomplished by maximizing hydro and natural gas generated power over the more GHG intensive diesel generation. In 2002/03, NTPC produced 79,982 tonnes of CO_2 equivalent emissions, a decrease of 43% from 1990/91 levels. NTPC's GHG emissions remain well below the 1990/91 Baseline levels and NTPC's target to reduce emissions to 10% below 1996/97 levels. Figure 4 illustrates NTPC's GHG emissions from 1990/91 to 2002/03.

Because of low water availability on the Snare Hydro system and an increased demand of 5,141 MWh over 2001/02, increased diesel generation resulted in 15, 480 tonnes more GHG emissions produced in 2002/03 than in 2001/02. This amount is still 43% below 1990/91 levels. Table 6 illustrates our GHG emissions according to gas type and emissions intensity from 1990/91 to 2002/03.

Table 6: GHG Emissions by Gas Type

	Tonnes				
Fiscal Year	CO_2	CH_4	N_2O	Total CO_2 Equivalent Emissions	Emissions Intensity (Tonnes/ MWh)
1990/91	134,588	8.35	19.22	140,723	0.377
1991/92	128,467	8.05	18.32	134,316	0.355
1992/93	130,525	8.15	18.62	136,468	0.340
1993/94	134,299	8.33	19.15	140,409	0.339
1994/95	174,184	10.21	24.99	182,146	0.447
1995/96	174,113	10.03	25.04	182,086	0.427
1996/97	121,838	7.51	17.40	127,391	0.302
1997/98	104,281	6.65	14.78	109,002	0.264
1998/99	93,502	5.94	13.20	97,718	0.264
1999/00	62,294	5.29	7.87	64,845	0.169
2000/01	62,080	6.12	7.29	64,468	0.167
2001/02	62,857	6.46	7.11	64,502	0.163
2002/03	76,952	7.15	9.29	79,982	0.200

Figure 4: Total CO_2 Equivalent Emissions between 1990/91 and 2002/03



Emissions Intensity

Emissions intensity is a product of the CO_2 equivalent emissions produced in relation to our total power generation from all sources (tonnes/MWh). As diesel generated power is our major source of GHG emissions, the lower our emissions intensity is the more successful we are at meeting our power generation demands from other, cleaner sources.

NTPC generated and purchased 14,770 MWh less hydropower and 1,348 MWh less natural gas generated power in 2002/03 than in 2001/02, while generating 21,259 MWh more power from diesel. This translates into a GHG emissions intensity of 0.200 tonnes/MWh for 2002/03. While the 2002/03 value is slightly higher than the emissions intensity of 0.163 from 2001/02, it is still well below the 0.377 tonnes/MWh from 1990/91.

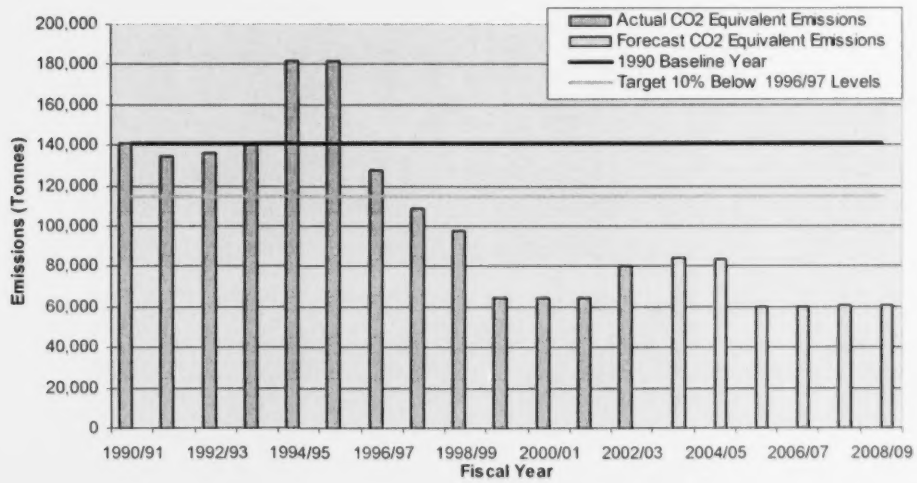
Forecast Emissions

NTPC's forecast GHG emissions range from 41% to 57% below the 1990/91 Baseline levels for the period of 2003/04 to 2008/09. Figure 5 illustrates forecast CO_2 equivalent emissions to 2008/09.

Although remaining significantly below 1990/91 levels, emissions appear to trend slightly upwards for the first two forecast years (2003/04 and 2004/05) before decreasing again from 2005/06 to 2008/09. Forecast hydro generation, based on a long-term average water level forecast, is the main reason for the initial upward trend. This allows for production of 177,500 MWh of hydropower per forecast year at Snare, around 65,000 to 70,000 MWh at Taltson, and approximately 47,300 MWh at Bluefish. Therefore, depending on the actual amount of water available for hydro generation in each forecast year, actual emissions will vary regardless of initiatives taken to reduce GHG emissions. Recent years prior to 2002/03 were high water years, but 2002/03 exhibited lower than average water levels, accounting for the lower percentage of hydro generation in relation to past years. It is expected that over the next two years, our GHG emissions will continue to increase as a result of lower water levels.

The last four years of the forecast show a significant decrease in emissions, despite forecasting hydro generation at average water levels. Additional hydropower, made available through NTPC's purchase of the Bluefish Hydro facility from Miramar on March 31, 2003, is mainly responsible for this projected decrease in forecast emissions. The Bluefish Hydro facility originated to supply

Figure 5: 2002/03 Forecast CO_2 Equivalent Emissions as a Product of Total Generation



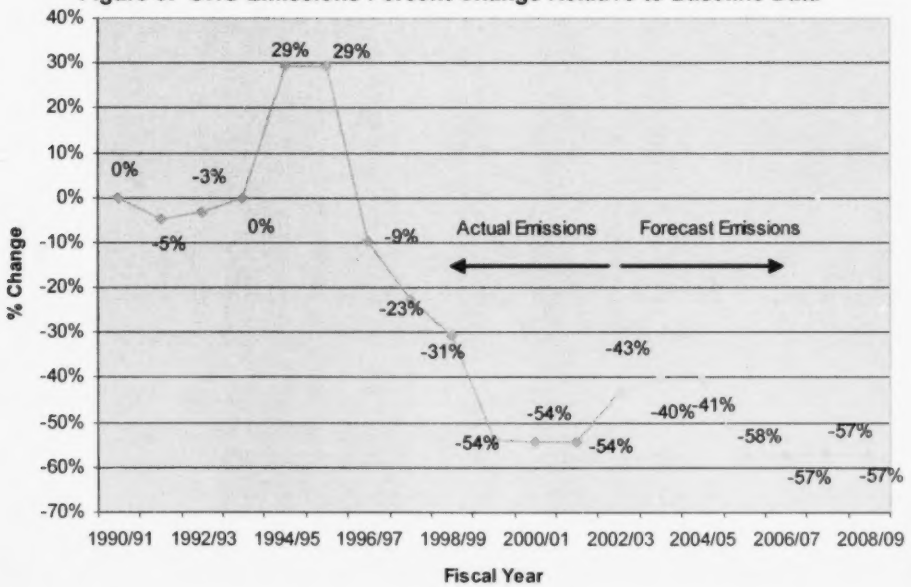
power to Con Mine (owned by Miramar and located in Yellowknife). Historically, NTPC either supplied power to or purchased power from Miramar depending on water levels and the mine's requirements. In November of 2003, Con Mine is scheduled to terminate mining operations, significantly reducing its electrical requirements. With mine reclamation scheduled for 2005, we anticipate that the excess hydro no longer required by the mine will be available to meet Yellowknife power demands, thereby reducing diesel fuel consumption. As such, by 2008/09, it is expected that NTPC emissions production will decrease to 57% below 1990/91 levels. Between 2005/06 and 2008/09, we anticipate using only 266 kL of diesel fuel annually to meet Yellowknife demands. This will produce only 760 tonnes of CO_2 equivalent emissions per year to service Yellowknife power demands, compared to the 55,923 tonnes produced in 1990/91. Figure 6 illustrates percent change in NTPC emissions relative to 1990/91 levels for actual and forecast years.

Natural Gas Generation Developments

As a result of converting NTPC's main generating station in Inuvik from diesel to natural gas in 1999, NTPC made it feasible for the producers and distributors of natural gas to expand their local market. This stimulated new opportunities such as fuel cell technology and gas fuelled micro-turbines. NTPC recently worked with the Town of Inuvik to install and operate two natural gas fired micro- turbine units to supply combined electricity and residual heat to the Town's recreation complex. It is anticipated that a significant GHG savings will result from the combined electricity and heat production of the micro-turbines. As of yet, sufficient data is not available to measure anticipated GHG savings, but these will be calculated as the data becomes available. This demonstration project is NTPC's first venture involving micro-turbines.

When natural gas becomes more readily available to northern communities, NTPC will consider the economics and GHG reduction benefits of retrofitting existing diesel power plants to natural gas.

Figure 6: GHG Emissions Percent Change Relative to Baseline Data



Business As Usual Forecasting

Past projects that have resulted in GHG reductions are reflected in our forecast emissions for the period between 2003/04 and 2008/09. The use of techniques such as three-year weighted averages for fuel efficiencies and using the most recent year's data to forecast future years helps to capture the trends that result in GHG reductions and to represent them in forecasts. This is how we develop our "Business As Usual" forecasts to include existing efforts. This helps to improve our supply-side management through improved diesel engine efficiency programs, reduced station service, residual heat projects, upgraded streetlights, and reduced line losses from transmission and distribution systems.

Emissions Reductions Targets

As NTPC has successfully decreased its emissions below the 1990 Baseline and our own internal target of 10% below 1996/97 levels, we feel our "Business As Usual" forecast, capturing improved trends in our existing initiatives, is sufficient for the time being. Any major changes to our operating infrastructure will be adopted if they represent an economic benefit as well as a savings in GHG reductions.

RESULTS ACHIEVED and MEASURES TO ACHIEVE RESULTS

NTPC has successfully reduced GHG emissions through a number of programs since 1990/91. The following section describes individual initiatives taken in 2002/03 that contributed to GHG reductions and/or their impacts on future reductions.

NTPC endeavours to improve overall efficiency. Improving operating efficiency reduces reliance on fossil fuels to generate and distribute energy to customers. The benefits of improving efficiency reach beyond NTPC's direct emissions.

The vast geographic area and remoteness of the region means that significant resources and energy must be expended in order to transport fuel to each of NTPC's sites. By reducing the volume of fuel required to generate power, the overall energy (derived from fossil fuels) required to transport fuel to generating sites is also reduced. All NTPC sites have fuel delivered via truck tanker or tug and barge.

Examples of individual projects undertaken by NTPC to reduce dependence on fossil fuels and production of GHG emissions during 2002/03 follow below. Table 7 summarizes the cumulative aggregate savings for all initiatives from 1990/91 to 2002/03. The table in Appendix 1 shows actual and forecast GHG emissions savings by gas type as well as total CO_2 equivalent emissions for all initiatives since 1990/91 forecast to 2008/09.

Table 7: Cumulative Aggregate Emissions Savings

CO_2 Equivalent Reductions (Tonnes) 1990/91—2002/03				
Alternative Generation/ Fuels	Station Service Reduction/ Residual Heat Projects	New Engine Upgrades/ PLCs	Streetlight Upgrades	Total
538,375	5,880	43,143	845	**588,243**

Fuel Efficient Engine Upgrades

In recent years, diesel engine technology has improved the overall fuel efficiency of engines while reducing emissions. Engine selection analysis is based primarily on life-cycle costs. The most significant of those life-cycle costs is fuel, which accounts for 85-90% of the capital and operating costs of a diesel engine over its life. Therefore, it is extremely important to NTPC to replace aging equipment with the most fuel-efficient units available.

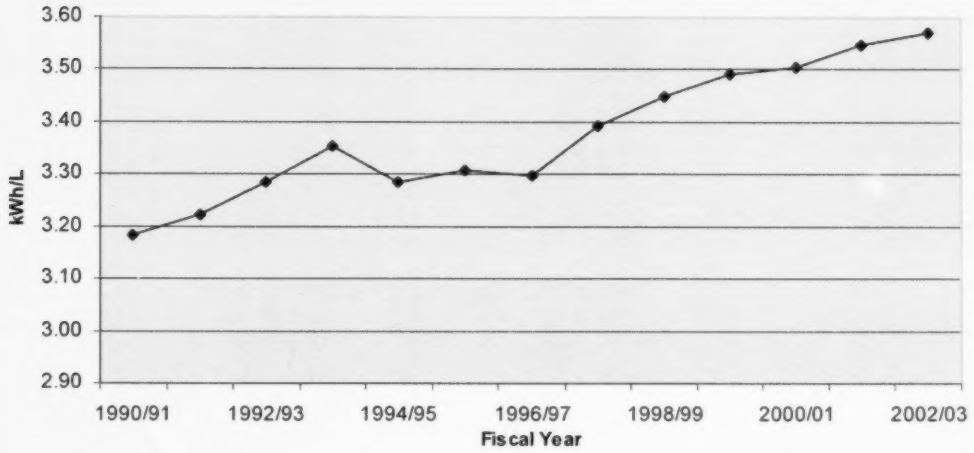
In 2002/03, NTPC installed two new diesel engines in two remote communities in the NWT. Table 8 identifies community plants that received new engines in 2002/03 as well as changes in each plant's fuel efficiency since 2001/02 after only a partial year of operation. In March of 2003, the Tulita plant also received a new engine, but since it was introduced too late in the fiscal year to retrieve any data on efficiencies, it will be covered in the 03/04 VCR report.

Table 8: Fuel Efficiency Improvements as a Result of New Engine Installations

Community Plant	Plant Efficiency (kWh/L)	
	2001/02	2002/03
Sachs Harbour	3.25	3.26
Wha Ti	3.00	3.27

Figure 7 illustrates our Corporate efficiency trend, which is improving with time. Yellowknife and Inuvik, two of our largest diesel generating plants, operate as backup diesel generators in the event that hydro or natural gas generation, respectively, become unavailable. Due to the low frequency with which these plants now operate, their fuel efficiencies have decreased accordingly. As such, the Yellowknife and Inuvik plants have been excluded from this graph as they skew the data.

Figure 7: Corporate Fuel Efficiencies Excluding Yellowknife and Inuvik



In 2002/03, the overall fuel efficiency for NTPC (excluding standby plants) improved by 12% over 1990/91 efficiency and by 0.02 kWh/L over 2001/02.

Our day-to-day operations, maintenance, and capital planning focus on maintaining or improving our fuel efficiency. Therefore, our upward trend in fuel efficiencies are reflected in our forecasts for fuel consumption, and hence our forecast GHG emissions.

Programmable Logic Controllers (PLC)

Programmable Logic Controllers automate power plant diesel engines and help ensure that the appropriate engine is operating to most efficiently service fluctuating loads. This contributes to improved plant fuel efficiency. As it is impossible to separate PLC efficiency improvements and gains from upgrading to more fuel-efficient engines, the benefits of PLCs and new engines were calculated together in the Fuel Efficient Engine Upgrades section.

To date, all but three plants currently have some level of PLC automation. The three remaining plants are expected to be automated by 2005/06. Automation of the Fort Simpson plant was completed in March of 2003, and the new Fort Resolution diesel standby plant will be fully automated when it is constructed in 2003/04.

Reduction in Station Service / Residual Heat Recovery

NTPC is continuously investigating ways to reduce its own consumption of power. Some of the equipment and design improvements utilized to reduce station service at our plants include:

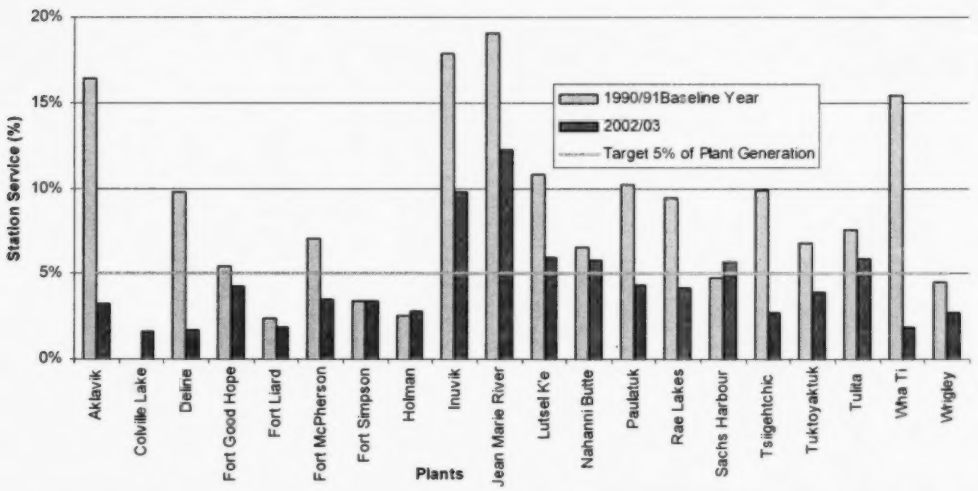
- replacement of in-plant electric space heating with residual heat from engine jacket water systems;
- replacement of engine electric block heaters with residual heat circuits that utilize jacket water heat from operating engines;
- replacement of inefficient lighting;
- installation of separate lighting circuits so that only specific lights are on at certain times;
- installation of variable frequency drives (VFD) on radiators; and
- installation of photo sensors on all outside lighting.

Station service reductions have also come through education and heightened awareness of plant personnel. Small measures are highlighted, such as turning off lights when plants are unattended, turn-

ing heaters down or off when not required, and ensuring that any pipes or other appurtenances that require heat tracing during winter months are shut-off during spring and summer months.

Since 1990/91, NTPC has successfully reduced overall Corporate station service. Through frequent audits of operations and diligent efforts to implement station service reducing technologies and practices, we will continue to reduce our station service in future years. Figure 8 illustrates station service for NTPC diesel generating facilities (except standby plants) for 1990/91 and 2002/03.

Figure 8: Station Service for Diesel Plants (excluding standby plants) for 1990/91 and 2002/03



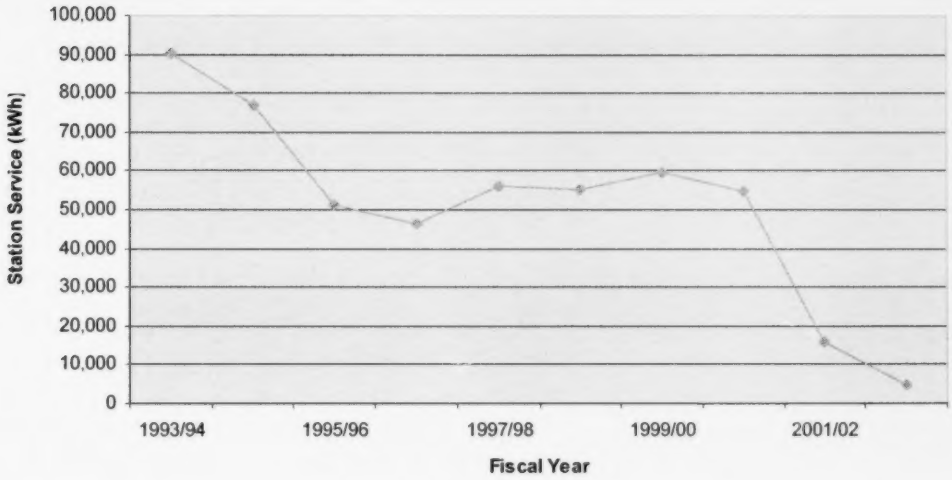
By diligently monitoring facility statistics, NTPC is able to identify sites where station service requirements are in excess of acceptable levels. NTPC set a target for each facility to achieve and maintain a station service equal to 5% of its total generation. All but six plants currently operate in excess of the 5% target, an improvement of two plants since 2001/02. NTPC will continue to monitor station service and work to reduce it at the remaining six plants still exceeding the 5% target while maintaining all other site station service percentages below the target.

Colville Lake Residual Heat Project

In recent years, the Corporation has been a leader in a number of projects to recover and distribute waste heat from its diesel engines to external customers, and for its own purposes. The most recent project involved upgrading the heating system at the Colville Lake diesel generating station in 2001/02. As only a partial year was available to report on in the 2001/02 VCR report, continuing results are covered in this report.

Prior to 2001/02, the Colville Lake facility was heated electrically. As such, station service for this facility ranged from 20% to 37% of annual gross generation, well in excess of NTPC's acceptable level of 5%. In 2001/02, a retrofit of the modular plant was completed which provided residual heat for the plant, office/warehouse, and crew trailer. This resulted in a station service decrease of 38,763 kWh in the first partial year following installation, and a further 11,191 kWh in 2002/03 (49,954 kWh in total). This translates into a decrease of 51 tonnes of CO_2 equivalent GHG emissions resulting primarily from the utilization of residual heat. Figure 9 illustrates the Colville Lake facility station service since facility construction in 1993/94.

Figure 9: Colville Lake Station Service from 1993/94 to 2002/03



Alternative Generation Fuels / Methods

In recent years, NTPC has undertaken a number of initiatives to produce less GHG emissions by utilizing alternative methods or fuel sources to generate power. Some of these initiatives have involved major capital projects such as the Inuvik Gas Project and major changes to hydro infrastructures. Simpler initiatives included the purchase of additional GHG-free hydropower. Some alternative generation fuels/methods are summarized below.

Bluefish Hydro Purchase

NTPC purchased the Bluefish hydro facility in the spring of 2003. The Bluefish hydro facility has been used primarily to serve Con Mine. In September of 2003, Con Mine was shut down indefinitely. As mine operations require less energy, this will eventually allow NTPC to displace diesel generation with Bluefish hydro generation to supply Yellowknife's electricity demands. Between 2003/04 and 2008/09, Bluefish hydropower will displace approximately 221,116 tonnes of CO_2e emissions.

Proposed Hydro Developments

NTPC continues to investigate the feasibility of additional hydro developments. The proposed Great Bear Hydro project has been researched since 2001, and is still in the pre-feasibility/conceptional stage. Energy from the Great Bear River would be used to supply power to the proposed Mackenzie natural gas pipeline. The next major step in this project will be feasibility and environmental studies. NTPC's second proposed new hydro initiative is the Snap Lake Hydro project. This would either expand on or use existing surplus energy from the Taltson hydro site to power the proposed Snap Lake diamond mine. This project is at the feasibility and environmental study stage.

NTPC has worked closely with local aboriginal partners regarding power generation for each of the proposed projects. Life-cycle analyses of the pipeline and mine were carried out to determine both GHG and dollar savings when replacing natural gas and diesel generated electricity with hydroelectricity.

Mini Hydro in Lutsel K'e

NTPC has conducted a pre-feasibility study on the Lutsel K'e Mini-Hydro project. The project involves building a 500 - 1000 kW mini-hydro plant on the Snowdrift River to serve Lutsel K'e's electricity and heating requirements. Recommendations from the study are to proceed to a detailed feasibility study and investigate funding sources. If this project goes ahead it will reduce the community's annual diesel fuel consumption by about 800 kL, approximately 400 kL of which is currently used to generate electricity. Communications with the community began in December 2001.

Streetlight Replacement

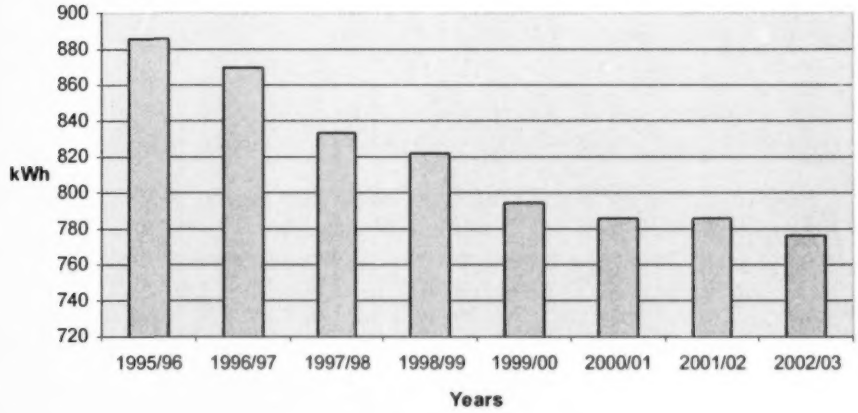
It is up to each individual community to decide whether to convert to High-Pressure Sodium (HPS) lighting from less efficient Mercury Vapour (MV) streetlights. In order to promote the program, NTPC informs the communities of the benefits resulting from conversion. We began converting community streetlights from MV to HPS during the 1995/96 fiscal year. To date, eight communities have converted every streetlight in their community to HPS, an improvement of three communities from 2001/02. For the remainder of the communities, HPS lights will be exchanged following the end-of-life of the existing MV lights. Figure 10 illustrates the average amount of energy required per streetlight in NTPC service communities. As more MV lights are replaced with the more efficient HPS lights, the average kWh required per streetlight decreases.

GHG savings from our continuing streetlight replacement program are shown in Table 7.

Transmission and Distribution Lines

Line losses increase generation requirements, which contribute to increases in greenhouse gases. As required, transmission and distribution systems will be upgraded with new efficient conductors and transformers in order to reduce line losses.

Figure 10: kWh per Streetlight per Year



Residential Energy Efficiency Program

Customer Research Surveys completed in 2000 and 2002 confirmed that customers would like more information on how to make their homes more energy efficient. To meet their needs, NTPC implemented a new Residential Energy Efficiency Program targeting the 13 remote northern commu-

nities of the Delta-Sahtu region. This program took place in 2002/03 and included the following key objectives:

- To conduct comprehensive energy efficiency audits of residential homes;
- To provide customers with information pertaining to energy efficiency solutions and how to obtain them;
- To provide customers with information pertaining to climate change and how energy conservation can make a difference; and
- To discuss with customers any concerns regarding the service and electricity currently supplied to them by NTPC.

Nearly 500 customers participated in the program. Each participating customer received valuable energy efficiency tips, as well as a free energy efficient showerhead and two free energy efficient light bulbs. The energy efficiency assessments showed that high power consumption was primarily caused by inefficient, outdated, or poorly maintained electrical appliances. Due to the success of this program in the Delta-Sahtu region, NTPC plans to run the program in other regions in 2003/04.

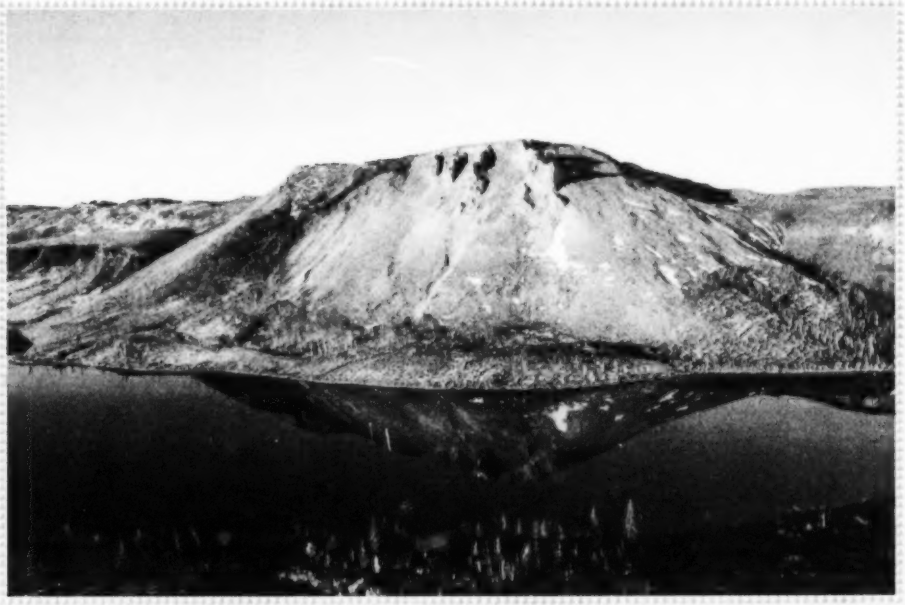
Results in Comparison to Targets

GHG Emissions

Our internal target to reduce GHG emissions by 10% of 1996/97 levels in 10 years was achieved by 1998/99. To date, we have reduced our cumulative CO_2 equivalent emissions by 588,243 tonnes and achieved a 43% decrease in 2002/03 from 1990/91 levels.

CO_2e Station Service Target

So far, NTPC has successfully reduced station service at all but six facilities to less than 5% of their total generations, compared to eight facilities in 2001/02. NTPC will continue to monitor station service and, where feasible, implement training and technologies to reduce station service at the remaining six diesel-generating facilities to meet the 5% target.



CLIMATE CHANGE AWARENESS

NTPC is committed to both employee and customer education regarding energy awareness. We hope to create an awareness of energy efficient practices and measures that can be implemented by all to ensure that the maximum benefit is derived from the electricity produced. Climate Change issues are discussed in conjunction with many of our programs to promote energy awareness and conservation. The communication avenues discussed below are utilized to inform employees and the public of the many ways in which they can contribute to decreases in GHG production.

Our customer newsletter, **Energy @ Work**, provides energy-saving information that can be utilized within homes and communities to reduce energy demands. Some of the topics highlighted in our 2002/03 Energy @ Work newsletters included energy saving tips, benefits of alternative power generation, and information on programs that we as a corporation employ to reduce GHG emissions.

NTPC was awarded **Gold Champion Level Reporter** status by the VCR for our 2001/02 VCR submission. This report was made available on our website and our award was promoted to our customers through our Energy @ Work newsletter and local newspapers.

NTPC was a founding member of the **Arctic Energy Alliance** (AEA), and is a sustaining member today. The AEA is a not-for-profit organization established in 1997. The AEA's mandate is to help reduce the financial costs and environmental impacts associated with energy and utility services in the NWT (including GHG emissions).

In 2001, NTPC ran a series of workshops for commercial customers to explain **Demand-side Management.** It was communicated that if customers

could better manage their power usage to minimize peaking, they would save both money and power, at the same time reducing the production of greenhouse gases. In 2002, inspired by positive feedback from the workshops, NTPC began developing a fact sheet on demand-side management to be distributed to commercial customers in the near future.

In September of 2002, NTPC carried out an **Air Quality and Health Assessment** at 21 power-generating sites. This was done to determine emission levels in relation to legislation and compare them to existing health standards. Results of the assessment were shared with regulators, customers, and our own employees.

NTPC has continued to provide informative brochures to customers. Some of the topics covered in 2002/03 included **Understanding Your Electrical Meter** and **Energy Conservation for Residents of Canada's North**. These brochures are produced to encourage customers to reduce their power consumption and to help understand how much electricity their electrical appliances really use.

All of our publications are available on our website at www.ntpc.com. The site also promotes NTPC's objective of reducing GHG emissions through reductions in customers' household energy usage.

Internal Communications

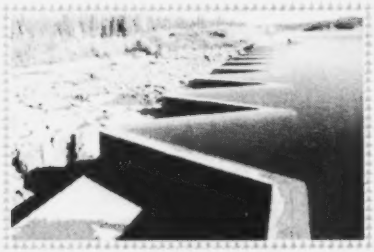
An employee-generated newsletter, **Powerline Plus**, is distributed to all employees on a biweekly basis via email and our internal website. Articles include updates regarding NTPC's GHG emissions status and various ways to conserve energy. A new employee publication, **The Report**, is now circulated to employees as well. The Report contains more in-depth articles about NTPC business for employees, including proposed hydro developments and alternative energy generation, and is available on the NTPC internal website.

NTPC annually provides environmental awareness training for employees, covering topics such as minimizing station service and the importance of spill prevention reducing fugitive emissions, as well as providing an update on our greenhouse gas report.

What work is in progress?
Communication and who to contact
Taltson River Hydro Project Update
Taltson Twin Gorges hydropower development discussions held
Memorandum of Understanding
Taltson Hydro Development Offers Exciting Opportunity

CONCLUSION

The Northwest Territories Power Corporation has undertaken many successful initiatives towards reducing greenhouse gases. Our VCR reports demonstrate our commitment to combating climate change, as we believe that environmental issues should be at the forefront of all business. NTPC is committed to further reducing GHG emissions wherever feasible. We will continue to implement new ideas and strategies to conserve fuel usage, and subsequent emissions, while openly reporting our progress and initiatives.



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Appendix 1: NTPC Greenhouse Gas Emissions 1990/91 to 2008/09

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	Actuals 2002/03	Forecast 2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Alternative Generation/Fuels																			
Snare Cascades																			
CO_2							18,036	17,342	17,811	22,083	20,487	18,178	19,607	18,602	18,602	18,602	18,602	18,602	18,602
CH_4							0.86	0.83	0.85	1.05	0.98	0.87	0.93	0.89	0.89	0.89	0.89	0.89	0.89
N_2O							2.64	2.54	2.61	3.24	3.00	2.66	2.87	2.73	2.73	2.73	2.73	2.73	2.73
CO_2 Equivalent							18,873	18,147	18,638	23,108	21,438	19,022	20,518	19,465	19,465	19,465	19,465	19,465	19,465
Snare Rapids G2*																			
CO_2							2,387	1,954	1,954	1,503	2,551	2,410	867	-	-	-	-	-	
CH_4							0.11	0.09	0.09	0.07	0.12	0.11	0.04	-	-	-	-	-	
N_2O							0.35	0.29	0.29	0.22	0.37	0.35	0.13	-	-	-	-	-	
CO_2 Equivalent							2,498	2,045	2,045	1,572	2,669	2,522	907	-	-	-	-	-	
Norman Wells Purchased Power																			
CO_2	2,302	2,329	2,345	2,471	2,456	2,188	2,074	2,314	2,327	2,179	2,150	2,148	2,192	2,164	2,173	2,145	2,151	2,157	2,163
CH_4	-0.76	-0.77	-0.77	-0.82	-0.81	-0.72	-0.68	-0.76	-0.77	-0.72	-0.71	-0.71	-0.72	-0.71	-0.72	-0.71	-0.71	-0.71	-0.71
N_2O	0.83		0.85	0.89	0.89	0.79	0.75	0.84	0.84	0.79	0.78	0.78	0.79	0.78	0.79	0.78	0.78	0.78	0.78
CO_2 Equivalent	2,545	2,574	2,592	2,731	2,715	2,419	2,292	2,558	2,572	2,408	2,376	2,374	2,423	2,392	2,402	2,371	2,378	2,384	2,391
Inuvik Gas Project																			
CO_2										1,873	3,734	4,092	3,214	3,441	3,600	3,806	3,864	3,923	3,982
CH_4										-1.29	-2.18	-2.49	-2.50	-3.15	-3.29	-3.48	-3.53	-3.59	-3.64
N_2O										1.06	1.89	2.13	1.98	2.39	2.50	2.65	2.69	2.73	2.77
CO_2 Equivalent										2,174	4,274	4,701	3,776	4,116	4,307	4,553	4,622	4,692	4,764
Bluefish Purchased Power																			
CO_2			18,389	18,922	15,539	24,531	34,228	32,615	27,403	35,331	38,432	39,694	36,842	35,859	35,089	35,089	35,089	35,089	35,089
CH_4			0.88	0.90	0.74	1.17	1.63	1.55	1.30	1.68	1.83	1.89	1.75	1.71	1.67	1.67	1.67	1.67	1.67
N_2O			2.69	2.77	2.28	3.59	5.02	4.78	4.02	5.18	5.63	5.82	5.40	5.25	5.14	5.14	5.14	5.14	5.14
CO_2 Equivalent			19,243	19,801	16,260	25,669	35,817	34,129	28,675	36,971	40,216	41,537	38,552	37,524	36,718	36,718	36,718	36,718	36,718

* Snare Rapids G2 unit does not operate during average to low water years. As forecasting for the hydro system assumes average water levels, then zero G2 generation is also forecasted. However, on average, the G2 unit has accounted for approximately 0.02% of the total Snare hydro generation since installation, so some generation is anticipated even if not forecasted.

Appendix 1: NTPC Greenhouse Gas Emissions 1990/91 to 2008/09 (cont'd)

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	Actuals 2002/03	Forecast 2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Station Service Reduction/Residual Heat Projects																			
Station Service/Residual Heat Savings																			
CO_2		163	100	242	295	385	319	297	349	194	161	174	166	157	157	157	157	157	157
CH_4		0.01	0.00	0.01	0.01	0.02	0.02	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
N_2O		0.02	0.01	0.04	0.04	0.06	0.05	0.04	0.05	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02
CO_2 Equivalent		170	104	253	309	402	334	311	366	203	168	182	174	164	164	164	164	164	164
Fort McPherson Residual Heat																			
CO_2								511	423	473	450	479	440	463	463	463	463	463	463
CH_4								0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
N_2O								0.07	0.06	0.07	0.07	0.07	0.06	0.07	0.07	0.07	0.07	0.07	0.07
CO_2 Equivalent								534	443	495	471	501	460	484	484	484	484	484	484
New Engine Upgrades/PLCs																			
Improved Fuel Efficiency Savings																			
CO_2		1,655	1,375	2,907	3,295	3,879	4,169	4,107	5,129	3,660	3,571	4,091	4,199	4,077	4,166	4,239	4,266	4,292	4,317
CH_4		0.08	0.07	0.14	0.16	0.18	0.20	0.20	0.24	0.17	0.17	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.21
N_2O		0.24	0.20	0.43	0.48	0.57	0.61	0.60	0.75	0.54	0.52	0.60	0.62	0.60	0.61	0.62	0.63	0.63	0.63
CO_2 Equivalent		1,732	1,439	3,042	3,448	4,059	4,363	4,297	5,367	3,830	3,737	4,281	4,394	4,266	4,359	4,436	4,464	4,491	4,518
Streetlight Upgrades																			
Streetlight Savings																			
CO_2							24	82	94	131	155	150	172	172	172	172	172	172	172
CH_4							0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
N_2O							0.00	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
CO_2 Equivalent							25	85	98	137	162	157	180	180	180	180	180	180	180
Annual Totals																			
CO_2	2,302	4,147	22,208	24,542	21,585	30,982	61,238	59,220	55,490	67,426	71,690	71,416	67,700	64,935	64,422	64,673	64,764	64,854	64,946
CH_4	-0.76	-0.68	0.17	0.24	0.10	0.65	2.13	1.95	1.76	1.01	0.25	-0.10	-0.26	-1.04	-1.22	-1.39	-1.44	-1.50	-1.55
N_2O	0.83	1.11	3.76	4.13	3.69	5.01	9.42	9.18	8.63	11.13	12.31	12.46	11.90	11.87	11.88	12.03	12.07	12.12	12.17
CO_2 Equivalent	2,545	4,477	23,377	25,827	22,731	32,549	64,178	62,020	58,105	70,762	75,349	75,119	71,205	68,412	67,900	68,191	68,296	68,399	68,504
Cumulative Totals Since 1990/91																			
CO_2	2,302	6,450	28,658	53,200	74,785	105,767	167,005	226,225	281,715	349,141	420,831	492,247	559,947	624,882	689,304	753,977	818,740	883,595	946,238
CH_4	-0.76	-1.44	-1.27	-1.04	-0.94	-0.29	1.85	3.79	5.56	6.56	6.81	6.71	6.46	5.42	4.20	2.81	1.37	-0.13	-0.93
N_2O	0.83	1.94	5.70	9.83	13.52	18.53	27.95	37.13	45.76	56.89	69.20	81.66	93.57	105.44	117.32	129.34	141.41	153.53	164.87
CO_2 Equivalent	2,545	7,022	30,399	56,225	78,957	111,506	175,683	237,704	295,808	366,570	441,920	517,039	588,243	656,655	724,555	792,746	861,042	929,441	995,401

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